

Mass. studying pros, cons of city vs. rural casinos

By Mark Arsenault | GLOBE STAFF MARCH 03, 2013



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Horseshoe Casino Cincinnati, which opens Monday, was built downtown and designed with the restaurants on the outside, facing the streets, to encourage foot traffic.

A gambling oasis in the woods, luring visitors willing to drive for the resort experience? Or a new addition to the urban landscape, expanding the tourist experience with slot machines and blackjack tables?

In awarding development rights for casino projects, the state gambling commission has a mind-boggling number of decisions to make over the next 12 months, but perhaps none as fundamental as this: Rural or urban?

In Greater Boston and in Western Massachusetts, the two regions with active bidding for commercial casino licenses, the commission probably will have clear choices among city

projects and rural or suburban alternatives.

With the late addition of Foxwoods as a partner in a Milford casino project, the commission has a viable suburban entry to compare with the Boston-area proposals at Suffolk Downs, off busy Route 1A in East Boston and Revere, and a Wynn Resorts project on vacant industrial land in densely populated Everett.

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And in Western Mass., two offerings in downtown Springfield and another across the Connecticut River in West Springfield will compete with a casino proposed in Palmer, a rural village community of about 12,000 people.

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There is little consensus in the industry over which model is more successful. Each can make gobs of money, yet neither is immune to swings in the economy or the burdens of too much debt.

Casino consultant Gary Green, a former executive for Donald Trump's company, prefers the rural alternative.

"Everything you could possibly want is in a city, but then everything you want to avoid is there, too," such as traffic and street crime, he said. Rural casinos tend to be more profitable, he said, increasing the amount of revenue the state collects in taxes to pay for public programs or to reduce other taxes.

"The real secret [to casino profitability] is to get people to stay in the seat longer, and when they win to have them pump the money back through," he said. "In the rural environment, I'm more likely to say, 'Well I drove all the way out here and I did really well on this machine so I think I'll stay a little bit longer.'"

But Jacob Miklojcik, a casino expert and president of Michigan Consultants, favors city casinos. "I prefer urban only because of job creation," he said. "That is where the [unemployed] are. What a casino can do . . . is provide a lot of jobs for people without college educations. In a city or urban areas, if developers can make a promise to provide the jobs locally, that's what matters."

Miklojcik said the push for "destination resorts" in an attempt to draw large numbers of out-of-state tourists "is way, way overdone.

"The only thing that matters in [ensuring casino] revenue is convenience and cleanliness," he

said. “Everything else is nonsense.”

The rural business model has been proven in New England, pioneered two decades ago by Foxwoods in southeastern Connecticut. Nearby Mohegan Sun followed the rural model, creating a self-contained resort that provides a full array of dining, shopping, and entertainment.

Before the emergence of these tribal gambling halls and the spread of the standalone casino, gamblers’ only choice was to travel to the two major resort gambling outposts of Nevada and Atlantic City.

Since then, a number of cities embraced casinos as a path to economic development, typically steering them toward fallow plots of land near the closest interstate. Now the urban casino is undergoing a modern makeover, with big cities such as Cleveland, Philadelphia, and Pittsburgh turning to casinos to revive struggling downtown neighborhoods.

A problem with the urban casino, said Las Vegas casino consultant Andrew Klebanow, is “we just haven’t seen it done right yet.” With few exceptions, most are designed as “islands” that happen to be within the city limits, but are not connected to the neighborhoods around them: Customers arrive, park in a garage, walk inside, and don’t step out until it’s time to drive home.

He said Horseshoe Casino Cincinnati, which opens Monday, may be different. The \$400 million casino, developed by Rock Gaming in partnership with Caesars Entertainment, was built downtown and designed with the restaurants on the outside, facing the streets, to encourage foot traffic.

“I think that’s the next great effort to do this thing right,” said Klebanow. “It’s a porous building — there are multiple entrance and egress points — so it allows pedestrians to walk in and out.”

Rock Gaming and Caesars also opened a downtown casino in Cleveland in 2012.

Matthew P. Cullen, Rock’s president and chief operating officer, said in a Globe interview that a gambling business, done correctly, can benefit a downtown urban area. “It shouldn’t be done out in the sticks somewhere so that it pulls everybody away from the things happening in the city,” he said. “It should be an augmentation of those things.”

Cullen believes urban casinos are attractive to a new, younger crowd that prefers a gambling outlet that is part of a larger entertainment district.

“It’s a demographic trend that more and more people want to be in the city and to react with

it,” he said. “They don’t want to go off in a field and park for four hours, or to do anything for four hours. They want to be engaged and activated and have a lot of choices . . . We think we’re ahead of that trend and we’re going to benefit from it.”

The Bay State’s 2011 casino law permits up to three resort-style casinos, no more than one in each of three regions of the state, with licenses awarded by the gambling commission through a competition. Bidding in Southeastern Massachusetts is on hold to give the Mashpee Wampanoag time to make progress on a tribal casino proposal.

Stephen Crosby, chairman of the Massachusetts gambling commission, said the panel has no bias toward rural or urban projects. “We would weigh each case on independent criteria,” he said, such as financial strength, potential job creation, and creativity in the design. “I can’t see any intrinsic plus or minus for one model verses the other.”

In the Greater Boston region, Suffolk Downs is proposing a \$1 billion resort at the racetrack, in partnership with Caesars. Wynn Resorts’ plan for Everett includes a \$1 billion hotel and casino on the Mystic River waterfront. The Milford project is off Interstate 495, about 35 miles from Boston.

In the Western region, MGM Resorts and Penn National Gaming each propose a casino in downtown Springfield; the city is conducting its own competition that is likely to knock out one of the competitors and advance the other to the gambling commission. Hard Rock International is pursuing a gambling resort at the Big E fairgrounds in West Springfield, a few minutes by car to downtown Springfield. The Palmer project is proposed by Mohegan Sun.

None of the projects has completed the lengthy state application process, and no proposal can be licensed unless it is endorsed by residents of the host community in a referendum. The votes are expected late this year.

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